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Rohan McGowan-Jackson  
General Manager  
Health, Safety & Environment and Quality



July 3, 2007

Ms. Susan White, Mining Program Coordinator  
Minerals Reclamation Program  
Division of Oil, Gas and Mining  
1594 West North Temple, Suite 1210  
PO Box 145801  
Salt Lake City, Utah 84114-5801

**RECEIVED**  
**JUL 11 2007**  
**DIV. OF OIL, GAS & MINING**

RE: May 18, 2007 Request for Cost Estimate Information, Kennecott Utah Copper Corporation (KUCC), Copperton Concentrator, M/035/011, Task #1772, Salt Lake County, Utah

Dear Ms. White,

In a letter dated April 10, 2007, KUCC provided DOGM with a copy of the demolition cost estimate for the bulk flotation project. DOGM responded with a number of clarifications and corrections related to the cost estimate in a May 18, 2007 letter. As discussed with Beth Erickson of your staff on June 27, 2007 KUCC has made the following changes to the demolition cost estimate (attached Table 17):

1. Added a statement showing that the demolition cost estimate is a contractor based cost. This is consistent with current KUCC demolition projects and cost estimates for the Precipitation Plant, Bonneville Crusher and North Concentrator.
2. Mobilization costs have been included in the bulk flotation demolition cost estimate (attached Table 17). Consistent with point 1, the mobilization costs are contractor based. KUCC believes the inclusion of separate mobilization costs for the bulk flotation and demolition is conservative, since these costs would have been accounted for in the current approved 1991 reclamation plan for the entire Copperton Concentrator. The same equipment to be used for demolition and reclamation of the entire concentrator facility will be used for demolition and reclamation of bulk flotation facilities.
3. Clarified reclamation costs. Similar with point 1, reclamation costs are contractor based. The reclamation cost included in the estimate is \$0.15/ft<sup>2</sup> for 18,000 ft<sup>2</sup>. This equates to \$2700 for 0.41 acres (or \$6585 per acre). KUCC believes this is

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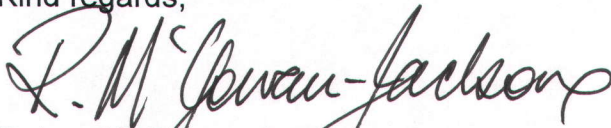
a very conservative cost estimate for reclamation of a flat area. This cost is significantly higher than our own internal reclamation costs, which comprise purchase of native seed, fertilizer and application (hydro or broadcast).

4. A 10% contingency cost has been added at the Division's request.
5. An escalation factor of 1.032 has been used at the Divisions request.

The current surety for the Copperton Concentrator (4<sup>th</sup> Line Expansion, M/035/011) is \$10,294,700. This is comprised of a \$1,574,100 letter of credit and \$8,720,600 rider issued by St. Paul Fire & Marine (bond #400JZ4230). As communicated and agreed by Jed Peterson, the Division Mineral Surety Coordinator, the letter of credit and rider will be combined into one bond and the surety for M/035/011 will be increased by \$501,735 in accordance with the revised demolition cost estimate for Bulk Flotation Facilities (attached Table 17). A copy of the surety rider bond will be submitted to the Division.

KUCC thanks the Division for their assistance with this matter. Please contact me at 569-6000 or Vicky Peacey (569-7118) if you have any questions or concerns.

Kind regards,



Rohan McGowan-Jackson  
General Manager Health, Safety, Environment and Quality

cc:

Beth Ericksen (DOGM)  
Vicky Peacey (KUCC)